

**Frequently Asked Questions -
IRS Increases Exempt Organizations Application Fees**
May 7, 2010

The IRS announced that it is raising the fees for organizations applying for tax-exempt status. The new application fees for Forms 1023, 1024, 1028 and for group exemption letters will take effect for all applications postmarked after January 3, 2010.

The following are frequently asked questions and answers about the new fees.

Q. Why is the IRS increasing application fees now, especially since many charities are struggling financially because of the economy?

A. The law requires the IRS to review and adjust its application fees at least once every two years. The fees must take into account the average time and difficulty of reviewing the applications. This is the first EO fee increase since 2006.

Q. What factors does the IRS consider when determining the fees?

A. The Office of Management and Budget directs federal agencies to charge user fees reflecting the full cost of goods or services. When setting the fees, IRS looks at the number of cases and the actual time and costs of reviewing the applications, plus other cost accounting data.

Q. How does the IRS account for a fee increase to \$850?

A. In 2005, the last time the costing evaluation was performed, the estimated cost for an initial application for exemption with annual gross receipts more than \$10,000 was \$750, using the following calculation: User Fee = (Average Hours per Case) X (Average Cost per Staff Hour). The 2010 increase is due to inflation and an increased cost of doing business, including wages, postage and other overhead.

Q. Will other EO-related fees increase?

A. Because the IRS is required by law to re-evaluate all user fees every two years, other fees are expected to increase in 2010. All user fees will be announced in the annual user fees revenue procedure published in January 2010.